

State of Hawaii
DEPARTMENT OF LAND AND NATURAL RESOURCES
Division of State Parks
Honolulu, Hawaii

October 13, 2006

Board of Land and Natural Resources
State of Hawaii
Honolulu, Hawaii

Subject: Permission to enter into a month to month revocable permit with
 North Shore Macadamia Nut Co.,LLC, at Wailua River State Park,
 Marina in Commercial Building "A", Bay 1, Kapaa, Kauai

In October 2005, a public Invitation for Bid (IFB) process was undertaken by staff to lease two (2) commercial retail bays at Wailua River State Park, one currently occupied by Big Save, Inc., a tenant of 35 years at this location. The other vacant space, approximately 805 square feet, is the subject of this Board memorandum.

Staff contacted businesses thought to be compatible with the space in addition to the required public notice. The vacant space has not been occupied for many years. The IFB produced 2 qualified bidders, neither of which submitted written bids, resulting in no lease activity. The qualified bidders cited difficult ingress, egress, the condition of improvements, among other concerns.

An outside fee appraisal was done in 2004 by Scot Voronaeff, M.A.I., to address prospective tenant issues. That appraisal provided a rental value recommendation of a low minimum rental bid value of \$.50 per square foot versus eight % (8%) of gross, whichever is greater for each of the approximately 800 sq. ft. bays, but still did not result in a qualified bidder submitting a bid.

North Shore Macadamia Nut Co., LLC, whose principal, Randolph G. Paty, has for some months been discussing with staff the possibility and procedure for opening his business at the Wailua Marina. His products would be limited to locally grown Kauai macadamia nuts, cooking oil and, Hawaiian grown coffees. Included would be an interpretive "educational experience where visitors would learn the history of the macadamia nut in Hawaii as well as the process involved from farm to finished macadamia nut kernel".

Item E-2

Staff has been discussing the issuance of a month to month revocable permit in accordance with HRS 102-2, subject to the following conditions:

- 1) Minimum guaranteed monthly rent of \$500.00 versus 8% of gross sales, whichever is greater.
- 2) The list of all products for sale, prior to commencement of business and thereafter, when products are added or removed, shall be reviewed and approved in writing by the Division of State Parks Administrator. The approved retail product list shall not conflict with the adjacent tenant, Big Save, Inc.
- 3) Permittee shall provide liability and fire insurance with the state as additional insured and to pay for use of their utilities. If the utility is not individually metered, then an agreed upon, by Permittee and Parks Administrator, a prorata share to be paid by each party.

RECOMMENDATION:

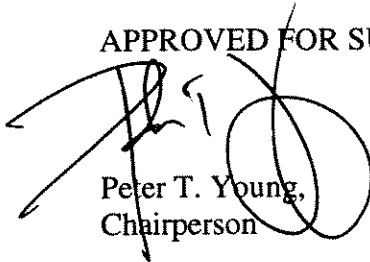
That the Board concurs with the issuance of a revocable permit, month to month, for up to a one year term subject to the above conditions listed. The monthly minimum guaranteed rent for Bay 1 would be \$500.00 versus 8% of gross revenue, whichever is greater. Further, authorize the Chairperson to modify or change the terms and conditions and execute the revocable permit document on behalf of the Board.

Respectfully Submitted,



Daniel S. Quinn,
Administrator
Division of State Parks

APPROVED FOR SUBMITTAL:



Peter T. Young,
Chairperson